



---

# Understanding Paid Sick Time in Eugene

## A Guide for Businesses

---

FEBRUARY 2014

# Table of Contents

Introduction	1
Background	2
Paid Sick Time: Evaluating Benefits	3
Improving health in the workplace, protecting productivity and public health	3
Improving employee retention and reducing turnover costs	3
Reducing system-wide health care costs	4
Paid Sick Time: Evaluating Questions & Concerns	5
What will a paid sick time standard cost?	5
How much paid sick time will employees take?	5
What has happened in locales that have paid sick time measures?	7
Conclusion	8
Endnotes	9

# Introduction

Across the country, cities and states are considering proposals to establish minimum standards for paid sick time. And many have new standards already in place—ranging from Portland, San Francisco & Seattle on the West Coast, to Connecticut, New York City, and Washington D.C. on the East Coast.

Paid sick time standards guarantee workers the opportunity to earn time off to care for themselves or a sick family member when that inevitable cold or flu hits. They establish a modest floor for paid sick time as a basic work standard, like workplace safety and other standards.

Local, independent small business owners pride themselves on their close and positive connection to their communities, customers and employees. Treating customers right and treating employees like family are small business values.

In keeping with these values, many small business owners agree in principle with setting a standard for paid sick time—but have questions about how such standards work and what it would mean for their businesses.

This report examines small business considerations in relation to the opportunity of a paid sick time policy in Eugene, Oregon. It combines data and analysis from a review of existing research on the costs and benefits of a paid sick time policy with insights from local small business owners.



# Background

**P**aid sick time is an issue that affects a significant proportion of workers and employers in Eugene, including small business owners and their employees. According to a 2013 survey, approximately 51% of Eugenians working in the private sector do not have access to any paid sick time.

Lack of access to earned, paid sick time disproportionately impacts low-wage, Latino, working poor families. In Eugene, over three-quarters [78%] of our lowest-income workers—those earning less than \$20,000/year—don't have paid sick time, compared to just 20% of those earning more than \$65,000/year.<sup>1</sup> Among Latino workers in Oregon, 66% don't have paid sick time, the highest rate of any racial/ethnic group.<sup>2</sup>

Lack of access to paid sick time has consequences not only for workers, but also for employers and their customers. These consequences include impacts on workplace productivity, public health, and health care costs.



Jim Houser, Co-Chair of the Main Street Alliance of Oregon

# Benefits for Small Employers

## Paid Sick Time: Evaluating Benefits for Small Employers

**H**aving the opportunity to earn paid sick time is clearly a benefit for workers. But offering employees this opportunity also has benefits for employers. These benefits include protecting workplace productivity, decreasing turnover and associated costs, and reducing health care costs.

### Improving health in the workplace, protecting productivity and public health

The loss in productivity to the U.S. economy due to illness in the workforce has been estimated at \$160 billion annually, with a major portion of this lost productivity coming from workers going to their jobs sick.<sup>3</sup> When employees go to work sick, they not only fail to perform at their full potential but they also risk infecting co-workers and further harming the business's productivity.<sup>4</sup>

The public health implications of this issue are brought into sharp focus by the finding that in Oregon approximately 82 percent of workers in food service do not have the opportunity to earn paid sick time.

When workers have the opportunity to earn paid sick time, they are more likely to stay home when they are ill, get healthy and return to work sooner, and avoid the risks of spreading illness in the workplace, including to customers.

**More than 80% of workers in food service do not have the opportunity to earn paid sick time.**

### Improving employee retention and reducing turnover costs

The combined expenses related to employee turnover—including the exit phase of departing employees, search and hiring phase, and training phase for new hires—add up to significant costs for employers.<sup>5</sup> Estimates range widely but are consistently reported in the thousands of dollars (and sometimes even above \$10,000) per position.<sup>6</sup> Retaining well-trained and valued employees, and thereby reducing turnover and associated costs, is a top concern for employers of all sizes.

Allowing workers to earn paid sick time provides workers with greater security, improving employee retention. Existing literature suggests that workers who have the benefit of paid sick time are less likely to leave their jobs than workers who do not, thereby reducing turnover and associated costs.<sup>7</sup>

**The loss in productivity to the U.S. economy due to illness in the workforce has been estimated at \$160 billion annually.**

# Paid Sick Time: Evaluating Benefits

## Reducing system-wide health care costs

**W**orkers' lack of paid sick time has implications for system-wide health care costs as well. A lack of paid sick time may lead to a greater reliance on emergency department visits as treatment of health concerns are delayed due to lack of access to time off work for illness and fears of job stability.<sup>8</sup> Because emergency room care is much more expensive than primary care, this high level of emergency room use raises overall health care costs significantly.

Policies that promote primary care over emergency room use promise significant savings in overall health care costs. A single instance of getting treatment from a primary care physician rather than an emergency department is estimated to save \$826 in health care costs. Analyzing the United States system-wide health care costs, researchers found that ensuring access to paid sick time for workers who currently do not have any could prevent an estimated 1.3 million emergency department visits per year. This could, in turn, save an estimated \$1.1 billion in health care costs annually in the U.S.<sup>9</sup> Interventions that bend the health care cost curve are a key priority for stemming the tide of rising health insurance costs for employers.

**Analyzing the U.S. system-wide health care costs, researchers found that ensuring access to paid sick time for workers who currently do not have any could prevent an estimated 1.3 million emergency department visits per year.**



Employers benefit when their employees have access to paid sick days. When sick workers are able to stay home, the spread of disease slows and workplaces are both healthier and more productive. Plus, workers recover faster from illness and obtain timely medical care—enabling them to get back to work sooner and holding down health care costs.

In weighing the overall impact of paid sick time proposals on small employers and neighborhood economies, a number of questions come into play. These questions generally relate to concerns about cost, utilization and flexibility issues.



# Questions & Concerns

## Paid Sick Time: Evaluating Questions & Concerns

### What will a paid sick time standard cost?

**M**any small business owners have practical questions about what offering paid sick time will cost their businesses. These practical questions deserve pragmatic answers based on the best available evidence. The Bureau of Labor Statistics estimated the cost of providing paid sick time at 0.9 percent of total compensation for private industry workers in the Pacific West region.<sup>10</sup> This is a small cost compared to the productivity, employee retention, and health savings gains associated with paid sick time.

Cost estimates produced by some groups that oppose a paid sick time standard have included significantly higher figures. Upon closer scrutiny, the methodologies used in these studies have too often been based on unrealistic assumptions and inaccurate interpretations of the requirements of proposed standards. The costs of offering paid sick time are overshadowed by the economic gains from lower turnover costs, increased productivity, and health cost savings.

While detractors of an paid sick time proposal argue that the costs will have a negative impact on jobs, the evidence does not support this claim. Economic research on the impact of raising the minimum wage has shown that such increases do not have a negative effect on employment.<sup>11</sup> Since the cost of offering paid sick time is significantly less than the typical minimum wage increase, it is reasonable to conclude that it will not have negative effects on employment.<sup>12</sup>

Employers actually save money by allowing workers paid sick days:

- ❑ Employees who stay home when sick are actually more productive than employees who work while sick. In fact, “presenteeism”—when workers come to work even though they are sick—costs employers an average of \$255 per employee per year.<sup>13</sup>
- ❑ Paid sick time increases morale and reduces turnover, with huge cost savings over time.<sup>14</sup> Nine out of 10 employers rarely or never need to hire replacement workers when employees need sick days.<sup>15</sup>
- ❑ If all your employees utilized all of their paid sick time and you actually had to pay for replacement workers every single time (an unlikely scenario) it would increase your wage expenses by 1.9%.<sup>16</sup> These costs, however, would be off-set by reduced illness in the workplace, better worker productivity and a quicker return to work of employees who were ill.

### How much paid sick time will employees take?

Closely related to concerns about cost is the question of how much time workers who earn paid sick days will actually use. Inflated cost estimates generally assume workers will use all accrued days. But actual utilization figures tell a different story.

Nationally, workers with access to paid sick time use an average of 2.2 days a year in small firms and 3.1 days a year in large firms.<sup>17</sup> In a 2009 survey about utilization of paid sick time in San Francisco [which passed a citywide paid sick time ordinance in 2007], the median utilization was just three days. Furthermore, more than a quarter of workers surveyed in San Francisco did not use any paid sick days in the previous year.<sup>18</sup> According to a new report from the Bureau of Labor Statistics, workers participating in plans with a fixed number of paid sick days per year used an average of two or four of their sick days annually, depending on their industry.<sup>19</sup>

# Questions & Concerns

These utilization numbers underscore an important reality: workers treat paid sick time as a form of insurance, to be saved and used when it is truly needed. Although some business people and workers can think of individual cases where employees or co-workers have misused sick time, the findings from San Francisco and across the country show that such misuse is in fact rare. Indeed, the data suggest that workers save up their paid sick time to be used when they really need it and often use quite little time in a given year.

## What has happened in locales that have enacted paid sick time measures?

The experience of San Francisco, the first place in the United States to adopt a paid sick time law, is instructive in regard to employers' views after policy implementation. While the law there was greeted with trepidation when it passed, two-thirds of San Francisco employers in a 2010 survey said they support the law.<sup>18</sup> And business groups that were once skeptical now see the law differently: as the executive director of the Golden Gate Restaurant Association put it, "paid sick days is the best public policy for the least cost."<sup>21</sup>

In Connecticut, where a statewide paid sick time standard took effect on January 1, 2012, employment has increased since implementation of the new law, with 10,100 jobs added year-over-year as of July 2012. Sectors of the state's economy opponents of paid sick time have claimed would be harmed have instead led job creation in the state, with educational and health services adding 13,000 jobs year-over-year (4.2 percent growth) and leisure and hospitality adding 3,700 jobs year-over-year (2.5 percent growth).<sup>22</sup>

New business formation has also accelerated in Connecticut following the implementation of the new law. The Connecticut Secretary of State's office reports 17,133 new business starts year-to-date through July 2012, a 7.6 percent increase over the year-to-date figure through July 2011. Business closures were virtually flat compared to a year ago at 6,665 year-to-date, putting net new business creation at over 10,000 employers from January through July of 2012.<sup>23</sup>

The City of Seattle's earned sick time law took effect soon thereafter in September 2012.<sup>24</sup> A recent Main Street Alliance of Washington report about its effects notes that Seattle's economy showed stronger job growth and business formation in the first half of 2013 compared to the same time period in 2012. The report also finds that Seattle has maintained its share of King County businesses and revenues, including in the retail





and food services sectors. Further, levels of inflation in the Seattle area have fallen since last year, similar to national trends.

It confirms what many HR specialists, economists and advocates have been saying for years: paid sick days are good for workers and good for business. Seattle's paid sick leave law means workers aren't going to work sick and handling your food, sick kids aren't stuck in the nurses office because their parent can't leave work to pick them up and businesses are building stronger workplaces with lower turnover, higher productivity and less absenteeism.

The Washington, D.C. Auditor found that that city's 2008 sick and safe leave law "neither discouraged business owners from locating in the District nor encouraged business owners to move their businesses from the District."<sup>25</sup>

The City of Portland, Oregon also passed a sick time law that took effect on January 1, 2014, too recently to have any usage data available about. This law, passed in March 2013, brings paid sick time to more than a quarter of a million workers.



**“ Making great beer and serving good food depends on the people who brew, cook and serve. When it comes to the people who make Falling Sky Brewing what it is, our goal is to attract and retain the best— because great employees are the key to a great business, and turnover is expensive and time-consuming. Giving employees access to paid sick time is one way businesses can invest in employee retention—and in the food business, it’s a public health issue, too. It’s a true win for everybody! ”**

**~Rob Cohen, Owner  
Falling Sky Brewery**

# Conclusion



Careful review of the evidence suggests that a flexible paid sick time standard will be a win-win policy for small employers and workers across the city.

Eugene's local, independent small business owners want to do right by their employees and the public health of their communities. Good public policy can help them accomplish this goal. Establishing a standard for earning paid sick time in Eugene is not just good policy for workers and families. It makes good business sense, too.



**“At Sundance Natural Foods our mission is to be ‘individuals nourishing community nourishing individuals.’ So naturally our employees have access to paid sick time. After all, most of us get sick every once in a while and we want our staff to take care of themselves when they do. Also, we want healthy people handling our customers’ food. When you do your best by your employees, they stick around and give you their best, so it really works for everyone. Eugene would be a healthier community if all workers here had paid sick leave.”**

**~Gavin McComas, Owner  
Sundance Natural Foods**

# Endnotes

- <sup>1</sup> Access to Earned Sick Days in Eugene, Oregon. <http://www.iwpr.org/publications/pubs/access-to-earned-sick-days-in-eugene-oregon>
- <sup>2</sup> While data is not available for Eugene, given its demographics we expect these numbers to be similar to the state.
- <sup>3</sup> Walter F. Stewart, et al, "Lost Productive Work Time Costs from Health Conditions in the United States: Results from the American Productivity Audit," *Journal of Occupational and Environmental Medicine*, 45(12), December 2003. Accessed May 17, 2012 at: [http://www.workhealth.org/whatsnew/whnewrap/Stewart%20etal\\_Lost%20productive%20work%20time%20costs%20from%20health%20conditions%20in%20the%20US\\_%20Results%20from%20the%20American%20Productivity%20Audit%202003.pdf](http://www.workhealth.org/whatsnew/whnewrap/Stewart%20etal_Lost%20productive%20work%20time%20costs%20from%20health%20conditions%20in%20the%20US_%20Results%20from%20the%20American%20Productivity%20Audit%202003.pdf)
- <sup>4</sup> Sandy Smith, "Vast Majority of Employees Work While Sick," *EHSToday*, 2004. Accessed April 17, 2012 at: [http://ehstoday.com/news/ehs\\_imp\\_36898/](http://ehstoday.com/news/ehs_imp_36898/)
- <sup>5</sup> For a review of the many contributors to turnover costs, see the Center for Law and Social Policy and Center for Economic and Policy Research online turnover calculator at: [http://www.cepr.net/calculators/turnover\\_calc.html](http://www.cepr.net/calculators/turnover_calc.html)
- <sup>6</sup> Sasha Corporation compilation of turnover cost studies. Accessed April 17, 2012 at: <http://www.sashacorp.com/turnframe.html>
- <sup>7</sup> Philip F. Cooper and Alan C. Monheit, "Does Employment-Related Health Insurance Inhibit Job Mobility?" *Inquiry*, 30, Winter 1993.
- <sup>8</sup> Kevin Miller, Claudia Williams, and Youngmin Yi, "Paid Sick Days and Health: Cost Savings from Reduced Emergency Department Visits," *Institute for Women's Policy Research*, November 2011.
- <sup>9</sup> Ibid.
- <sup>10</sup> U.S. Bureau of Labor Statistics, Economic News Releases, "Private industry, by census region and division, and area", June 2012, Accessed August 2, 2012 at: <http://www.bls.gov/news.release/ecec.t07.htm>.
- <sup>11</sup> Arindrajit Dube, T. William Lester, and Michael Reich, "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties," *The Review of Economics and Statistics*, November 2010, 92(4): 945-964. Accessed May 17, 2012 at: <http://www.irle.berkeley.edu/workingpapers/157-07.pdf>
- <sup>12</sup> John Petro, "Paid Sick Leave Does Not Harm Business Growth or Job Growth," *Drum Major Institute for Public Policy*, September 2010. Accessed May 17, 2012 at: [http://www.drummajorinstitute.org/pdfs/Paid\\_Sick\\_Leave\\_Does\\_Not\\_Harm.pdf](http://www.drummajorinstitute.org/pdfs/Paid_Sick_Leave_Does_Not_Harm.pdf); John Schmitt, Hye Jin Rho, Alison Earle, and Jody Heymann, "Paid Sick Days Don't Cause Unemployment," *Center for Economic and Policy Research*, June 2009. Accessed May 17, 2012 at: <http://www.cepr.net/documents/publications/psd-ur-2009-06.pdf>
- <sup>13</sup> Vicky Lovell, *Valuing Good Health: An Estimate of Costs and Savings for the Healthy Families Act*, *Institute of Women's Policy Research*, 2005.
- <sup>14</sup> Ibid.
- <sup>15</sup> Ibid.
- <sup>16</sup> John Petro, "Paid Sick Leave Does Not Harm Business Growth or Job Growth," *Drum Major Institute for Public Policy*, September 2010. Accessed May 17, 2012 at: [http://www.drummajorinstitute.org/pdfs/Paid\\_Sick\\_Leave\\_Does\\_Not\\_Harm.pdf](http://www.drummajorinstitute.org/pdfs/Paid_Sick_Leave_Does_Not_Harm.pdf); John Schmitt, Hye Jin Rho, Alison Earle, and Jody Heymann, "Paid Sick Days Don't Cause Unemployment," *Center for Economic and Policy Research*, June 2009. Accessed May 17, 2012 at: <http://www.cepr.net/documents/publications/psd-ur-2009-06.pdf>
- <sup>17</sup> *Institute for Women's Policy Research*, Analysis of data from the 2008 National Health Interview Survey, 2010.
- <sup>18</sup> Robert Drago and Vicky Lovell, "San Francisco's Paid Sick Leave Ordinance: Outcomes for Employers and Employees," *Institute for Women's Policy Research*, February 2011. Accessed May 18, 2012 at: [http://www.iwpr.org/publications/pubs/San-Fran-PSD/at\\_download/file](http://www.iwpr.org/publications/pubs/San-Fran-PSD/at_download/file)
- <sup>19</sup> Ross O. Barthold and Jason L. Ford, "Paid Sick Leave: Prevalence, Provision and Usage among Full-time Workers in Private Industry," *Bureau of Labor Statistics*, February 2012. Accessed April 30, 2012 at: <http://www.bls.gov/opub/cwc/cm20120228ar01p1.htm>

<sup>20</sup> Drago and Lovell, “San Francisco’s Paid Sick Leave Ordinance: Outcomes for Employers and Employees.”

<sup>21</sup> James Warren, “Cough If You Need Sick Leave,” BusinessWeek, June 30, 2010. Accessed April 17, 2012 at:

[http://www.businessweek.com/magazine/content/10\\_24/b4182033783036.htm](http://www.businessweek.com/magazine/content/10_24/b4182033783036.htm)

<sup>22</sup> “State of Connecticut Employment (Not Seasonally Adjusted) - Current Employment Statistics (CES),” Connecticut Labor Market Information, Connecticut Department of Labor. Accessed September 4, 2012 at: <http://www1.ctdol.state.ct.us/lmi/ces/nfstatcm.asp>

<sup>23</sup> “2012 Business Starts and Stops Index,” Connecticut Secretary of the State. Accessed September 4, 2012 at:

<http://www.ct.gov/sots/cwp/view.asp?a=3177&q=499352>

<sup>24</sup> “Paid Sick Days and the Seattle Economy: Job Growth and Business Formation at the 1-Year Anniversary of Seattle’s Paid Sick and Safe Leave law,”

Main Street Alliance. September 2013. <http://washington.mainstreetalliance.org/files/2013/09/PSD-1-Year-Report-Final.pdf>

<sup>25</sup> Office of the District of Columbia Auditor, “Audit of the Accrued Sick and Safe Leave Act of 2008,” Accessed February 2014 at

<http://dcauditor.org/sites/default/files/DCA092013.pdf>



The Main Street Alliance of Oregon is a statewide network of small businesses. MSAO creates opportunities for small business owners to speak for themselves on issues that impact their businesses and local economies.

**Main Street Alliance of Oregon**

**971.634.0004**

**Contact: Stephen Michael**

**Stephen@mainstreetalliance.org**

**WWW.OREGON.MAINSTREETALLIANCE.ORG**

**WWW.EVERYBODYBENEFITSEUGENE.ORG**

